

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 SCEM-02 INT-08 FPC-01 SCI-06

NSF-04 DOTE-00 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20

DRC-01 /240 W

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FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 8144

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG ETRN DA

SUBJ: ENERGY SITUATION IN DENMARK

REF: COPENHAGEN 2973

BEGIN SUMMARY. GOVERNMENT ANNOUNCEMENT THIS WEEK THAT
OIL FOR TRANSPORTATION AND INDUSTRY WOULD BE CUT 20 AND
25 PERCENT, RESPECTIVELY (REFTEL), HAS HIT DANISH PUBLIC
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AND INDUSTRY WITH DRAMATIC EFFECT, COMING AS IT DOES

SHORTLY AFTER CUTS ON HEATING OIL, SETTING OF MAXIMUM SPEED LIMITS AT 80 KM/HR, AND OTHER CONSERVATION MEASURES. UNUSUAL EARLY COLD WAVE AND PREDICTIONS OF ABNORMALLY COLD WINTER HAVE NOT HELPED MATTERS. INDUSTRY IS VERY CONCERNED OVER POTENTIAL EFFECTS OF FUEL CUTS ON PRODUCTION (SEE TOFAS 167 FOR ANALYSIS OF EFFECTS ON AGRICULTURE-BASED INDUSTRIES) AND THE TRANSPORTATION INDUSTRY (LAND, SEA AND AIR) IS VERY UNCERTAIN ON EXTENT TO WHICH IT CAN MAINTAIN COMMITMENTS, PARTICULARLY CRITICAL FOR COUNTRY SUCH AS DENMARK SO HEAVILY DEPENDENT ON FOREIGN TRADE. ALREADY WEAK ECONOMY IS SERIOUSLY THREATENED BY OIL CRISIS AND STRONG GOVERNMENT MEASURES TO CONTROL INFLATION AND DETERIORATING BALANCE OF PAYMENTS MAY BE NECESSARY BY JANUARY. WHETHER DECEMBER 4 ELECTIONS WILL PERMIT ESTABLISHMENT OF GOVERNMENT CAPABLE OF TAKING SUCH MEASURES REMAINS UNCERTAIN QUESTION. END SUMMARY.

1. INITIAL PUBLIC REACTIONS MAY BE OVERDRAMATIC AND SEVERE GOVERNMENT MEASURES MAY IN PART BE RELATED TO CURRENT ELECTION CAMPAIGN. (SINCE OLD-LINE PARTIES ARE BEING THREATENED BY SEVERAL NEWLY FORMED PARTIES, THE FORMER ARE, ALLEGEDLY, DRAMATIZING ENERGY AND ECONOMIC CRISIS TO CONVINCE PUBLIC TO STICK WITH EXPERIENCED LEADERS.) ONETHELESS, OIL MAJORS TELL US THAT MEASURES TAKEN BY GOVERNMENT WERE ESSENTIAL AND NONE TOO SOON IN VIEW OF DARK SUPPLY PICTURE. OIL INVENTORIES AND ANTICIPATED DELIVERIES VARY FROM COMPANY TO COMPANY BUT 15-25 PERCENT REDUCTIONS FROM NORMAL SUPPLIES ARE EXPECTED BY JANUARY. SITUATION IS COMPLICATED BY FACT DENMARK HAS REFINING CAPACITY FOR ONLY ABOUT HALF OF ITS NEEDS AND MUST IMPORT REFINED PRODUCTS FROM ELSEWHERE.

2. IN FACE OF PRESS SPECULATION (STARTED BY UNFORTUNATE REMARK ON TV BY OIL INDUSTRY REP) THAT MAJORS ARE DIVERTING OIL FROM DENMARK, OIL COMPANIES INSIST THAT THEY ARE ALLOCATING SUPPLIES AS EQUITABLY AS POSSIBLE AND GIVING DENMARK ITS FAIR SHARE. GOVERNMENT HAS SO FAR STAUNCHLY SUPPORTED MAJORS ON THIS. BECAUSE IT LACKS EXPERIENCE, GOVERNMENT IS IN FACT HEAVILY DEPENDENT ON OIL INDUSTRY FOR ADVICE AND GUIDANCE ON CONSERVATION MEASURES AND INDUSTRY HAS PLAYED MAJOR ROLE IN DRAFTING OF GOVERNMENT DECREES. GOVERNMENT LIMITED OFFICIAL USE

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HOPES IT CAN KEEP ADMINISTRATION OF ALLOCATION SYSTEM IN HANDS OF OIL COMPANIES, WHICH LATTER THINK THEY CAN HANDLE IF CUTBACKS ARE NOT TO BE DEEPER THAN AT PRESENT.

3. REDUCTION OF SUPPLIES TO INDUSTRY HAS RAISED CONCERN OVER EFFECTS ON BALANCE OF PAYMENTS. DEFICIT FOR THIS YEAR HAD BEEN ESTIMATED AT \$500-600 MILLION. IN LUNCHEON MEETING NOVEMBER 29, COMMERCE MINISTER JENSEN TOLD US THAT GOVERNMENT

NOW ESTIMATES ENERGY CRISIS WILL INCREASE DEFICIT BY \$250 MILLION ON ANNUAL BASIS. HE HAD HOPES, HOWEVER, THAT ENERGY SAVINGS MEASURES IN NON-PRIORITY AREAS AND WORKING CONDITIONS WILL PERMIT CLOSE TO NORMAL PRODUCTION IN VITAL INDUSTRIES. THESE MEASURES INCLUDE (A) FOUR-DAY TEN-HOUR WEEK WHERE FEASIBLE, (B) WAIVER OF MINIMUM HEATING REQUIREMENTS OF PLANTS PROVIDED FOR IN LABOR CONTRACTS AND (C) WAIVER OF 25 PERCENT FUEL CUTBACK REQUIREMENT FOR FIRMS IN VITAL INDUSTRIES WHICH CANNOT CUT BACK ON FUEL USAGE EFFICIENTLY.

4. NOTWITHSTANDING HIS RELATIVE OPTIMISM ON EFFECTS OF OIL CRISIS ON ESSENTIAL PRODUCTION, JENSEN FELT ECONOMIC SITUATION WILL BE VERY SERIOUS BY YEAR'S END AND REQUIRE STRONG GOVERNMENT MEASURES. MOST OF DENMARK'S ECONOMIC PROBLEMS, HE SAID, HAVE BEEN WITH US FOR SOME TIME BUT ARE NOW BEING BROUGHT TO CRITICAL LEVEL BY OIL CRISIS. HE ADDED DENMARK HAS FOR TOO MANY YEARS BEEN LIVING ABOVE ITS INCOME, SUPPORTED BY BORROWINGS FROM ABROAD AND WEIGHED DOWN WITH EXCESSIVE PERSONAL CONSUMPTION AND PUBLIC WELFARE ADMINISTRATION COSTS. HE HOPED THAT DECEMBER 4 ELECTION WOULD PERMIT THE FORMATION OF A STRONG AND BROADLY-BASED GOVERNMENT FOR ONLY SUCH GOVERNMENT COULD TAKE THE ECONOMIC MEASURES THE ECONOMY WILL NOW NEED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PETROLEUM, RATIONING, JET FUEL, AIR SCHEDULES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973COPENH03026
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973113/aaaaabyg.tel
Line Count: 140
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: COPENHAGEN 2973
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Sep-2001 by rowellE0>; APPROVED <25-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY SITUATION IN DENMARK
TAGS: ENRG, ETRN, DA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005